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Supreme Court of the United States

OCTOBER TERM, 1958

No. 427

GENERAL DEVELOPMENT CORPORATION,
Formerly Land Title Guaranty Corporation,
Formerly Land Title Guaranty Corporation,
Petitioner,

v.

UNION CARBIDE & CARBON CORPORATION,
Respondent.

PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF
APPEALS FOR THE SIXTH
CIRCUIT

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[illegible]

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1960

No.....

GENERAL DEVELOPMENT CORPORATION,
Formerly named Florida Canada Corporation:
formerly named Chemical Research Corporation,
Petitioner,

vs.

UNION CARBIDE & CARBON CORPORATION,
Respondent

PETITION FOR WRIT OF CERTIORARI

(Figures in parentheses refer to pages of Appellant's Appendix unless context clearly indicates otherwise)

To the Honorable the Chief Justice of the United States Supreme Court and to the Associate Justices of the Supreme Court of the United States:

This is a petition by Florida Canada Corporation, now by change of name designated General Development Corporation, for this Court's writ of certiorari to review the decision of the United States Court of Appeals for the

Sixth Circuit, affirming summary judgment of the District Court, Eastern District of Michigan, for no cause of action in licensor's suit for licensee's unauthorized use beyond permitted limits, of a licensed, secret process.

Petitioner, plaintiff in District Court and appellant directly below, had by merger with Gyro Process Company, acquired ownership of the secret Gyro Process for high temperature cracking of petroleum. Along with such ownership, petitioner had also acquired the licensor's rights in then outstanding contract licensing respondent's subsidiary, Carbide and Carbon Chemicals Corporation to practice the process within limits of its particular Gyro type plant, plus 2,000 barrels additional daily charge stock capacity.

Respondent meantime having merged with its subsidiary, has continued its exercise of Gyro rights.

Petitioner's name as above stated, has lately been changed to General Development Corporation, and respondent's name changed to Union Carbide Corporation. For brevity's sake, the parties can be designated in this petition by the names of their constituents as signed to the license contracts, petitioner by the name Gyro, and respondent by the name Carbide.

A.

REFERENCE TO OPINIONS IN COURTS BELOW

The Appellate Court's opinion is not yet reported. It is printed at the last six pages in the certified record.

The District Court filed no opinion but entered merely, its order granting summary judgment, which is printed in appellant's appendix at page 228a.

See also appendix to this petition.

B.

CONCISE STATEMENT OF GROUNDS INVOKING JURISDICTION OF THIS COURT

1. Date of Judgment to be reviewed is July 11, 1960 and time of its entry is July 11, 1960.

2. The statutory provisions believed to confer jurisdiction upon this Court to review by certiorari, §1254(1) Title 28, U. S. Code; also §1651, Title 28 U. S. Code.

3. Questions presented for revjew:

(a) Whether there is presented in this case, a genuine issue of material fact which precludes judgment as a matter of law in favor of the defendant.

(b) Under a contract whereby licensee of a secret process had acquired prepaid right to practice the process in one only, specified plant, and had agreed to arbitrate *all* questions as to excess use beyond prepaid limits, whether upon licensee's refusal so to arbitrate, licensor can maintain judicial suit to recover compensation for licensee's extraneous process use in plants separate from the plant initially licensed.

(c) In case where the owner of a secret process had disclosed same to a licensee for prepaid limited use, whether the present suit predicated upon licensee's excessive use above prepaid limits, can be maintained upon grounds of breach of contract or of confidential relations between the parties.

(d) Whether paragraph 5 of the license contract excluding undertakings not expressed therein, exonerated licensee from liability under the contract for excess use of the process in unauthorized plants.

C.

CONCISE STATEMENT OF FACTS

The Gyro Process comprises apparatus and method for cracking of petroleum hydrocarbons at high temperatures, upwards of 900° F., by circulation through metal coils positioned in suitable heating chamber. The process includes know-how for preparation of suitable charge stock, control of temperature, velocity and time of reaction and also means for instantaneous termination of the cracking reaction to prevent coking up of tubes. Prior to Gyro, coking of tubes had been the great obstacle to commercial coil cracking, necessitating frequent plant shut downs and overhaul, to clean out or substitute new tubes. The process also included apparatus and method for separating the desired end products of the cracking reaction, and enabled commercial recovery of the many separate hydrocarbon substances of desired molecular weight and composition, such as for example, high octane motor fuels, also olefins for chemical intermediates including ethylene and innumerable other hydrocarbon substances.

Some elements of the overall process were covered by patents, but the large body of the same comprised know-how, design and operating data in the nature of secret process.

An original running royalty license had been granted by petitioner Gyro in year 1927, authorizing Carbide to construct and operate five (5) Gyro plants, of which but one plant *ostensibly*, was built at South Charleston, W. Va.

Upon their later disputes, the parties in 1943 compromised differences, and substituted for the former running royalty, a paid up license authorizing Carbide to operate

its single and original Gyro plant, up to capacity limits, plus additional capacity of 2,000 barrels daily charge stock input (7a-8a).

The paid up license provided in paragraph 4:

> "In case any dispute shall arise * * * as to whether or to what extent if any, Carbide shall after the date of this agreement, have operated in excess of the amounts permitted * * * or as to any other matter whatsoever, such dispute shall be submitted to arbitration" (8a).
>
> "The decision of the arbtrators shall be final and binding upon both parties hereto" (9a).

And in paragraph 5, it was provided as follows:

> "5. This agreement contains all the acknowledgments, representations, warranties, rights, duties, covenants, and agreement of any nature or kind or relating to any subject matter whatsoever between the parties hereto and no acknowledgment, representation, warranty, right, duty, covenant or agreement shall be implied" (9a).

The important claim herein for Carbide's excess use is predicated upon use in plants extraneous to Carbide's original Gyro plant. Petitioner made demand on respondent to arbitrate the facts and questions of such use, but respondent refused to join in that procedure.

The correspondence containing request for arbitration and rejection thereof, including indeed, respondent's denial that it had practiced the process in extraneous plants, is set forth in appellant's appendix at pages 151a, through 164a.

In its motion for summary judgment, Carbide denied excess use in the *original* Gyro plant, but then made claim

that the present suit was not a proper action to enforce liability for usage in the *extraneous* plants.

Petitioner made sufficient showing in District Court to disclose presence of substantial question of fact on issue of extraneous use.

(Affidavit of Wilbur L. Nelson (205a); excerpts from deposition of respondent Malcolm K. Twichell (216a *et seq.*) and affidavit of Lawrence Rothenberg (167a).

Carbide's argument to evade decision of this factual issue, was predicated upon claim that the paid up license prohibits excess use, *only within the original Gyro plant;* that such *within* usage, having been successfully denied, that the present action upon license contract, is not a proper remedy for recovery for extraneous use.

Presumably the District Court agreed with this argument.

But the Court of Appeals adopting as rationale, considerations not theretofore argued by the parties, held that paragraph 5 of the license contract excluding unexpressed obligations, precluded, in suit upon the contract, enforcement of claims for process use in extraneous plants. The Court stated:

> "• • • Nowhere in the contract is there an express provision prohibiting the defendant from using the process at other plants, nor can such a prohibition be implied due to the plain words of Paragraph 5 of the contract. This paragraph reads as follows:
>
> '5. This agreement contains all the acknowledgments, representations, warranties, rights, duties, covenants and agreement of any nature or kind or relating to any subject matter whatsoever be-

tween the parties hereto and no acknowledgment, representation, warranty, right, duty, covenant or agreement shall be implied.'

"This provision of the contract is also a complete answer to another contention of the plaintiff that certain trade secrets which are a part of the overall Gyro Process were utilized by the defendant in plants other than the South Charleston plant in violation of plaintiff's rights under the contract. This is so because the contract does not expressly prohibit such use and does specifically provide that no such agreement can be implied. (4, 5.)

"Since the defendant has not breached the 1943 contract either by using the Gyro Process in excess of royalty paid limits * * * by using it in other plants, if it was so utilized, * * * there can be no recovery by the plaintiff in this action for breach of contract.

"The judgment of the District Court is affirmed" (7).

The rights granted respondent for the additional 2,000 barrel capacity, were evidenced by assignment to Carbide of equivalent barrelage from rights previously licensed by Gyro to Wolverine Producing and Refining Company. Gyro had later repurchased the Wolverine license and reassigned 2,000 barrels input therefrom to Carbide. One of the covenants of the Wolverine license had reserved to Gyro as licensor, shop rights upon any improvements to the process developed by licensee.

In courts below petitioner had contended that Carbide's acceptance of the Wolverine license obligated Carbide upon the shop right covenant. On this point respondent interposed paragraph 5 as excluding such an assumption by Carbide.

But respondent did not lay stress below upon paragraph 5 as barring recovery for use in extraneous plants.

D.

BASIS FOR FEDERAL JURISDICTION IN THE COURT OF FIRST INSTANCE

Petitioner as plaintiff in first instance, is a corporation organized under the laws of Delaware and respondent as defendant in first instance, including its former subsidiary Carbide & Carbon Chemicals Corporation, is a corporation organized under the laws of the State of New York. This suit is one between citizens of different states, of which the federal District Courts had jurisdiction under 28 U. S. C. §1332.

E.

ARGUMENT AMPLIFYING REASONS FOR WRIT

1. Decision below conflicts with decision of the Federal Circuit Court of Appeals for the District of Columbia, on similar point of law.

(a) In disregard of the Bofors case decided by the Federal Court of Appeals for the District of Columbia, the instant Appellate Court has held in effect, that a licensee's acceptance of rights to practice a secret process *within express limits only* is not a limitation upon practice thereof beyond the grant.

In so holding, the Court below disregarded essentials of the case concerning secret processes, and treated the case as merely a patent controversy. In such treatment, the Court ignored the confidential relationship between the parties arising from licensee's acceptance of confidential disclosures.

Here, Carbide after termination of the original running royalty license was permitted on paid up royalty basis, to retain possession of Gyro disclosures, with license to practice same within limits of its then existing Gyro plant plus 2,000 barrels added daily capacity.

Specifically this grant to Carbide was confirmed in terms, viz:

> "3. Carbide wishes to acquire the right to operate the Plant and additions thereto and expansions thereof in an amount in excess of the present capacity thereof. Gyro warrants and guarantees that, in addition to unlimited licensing rights as to the Gyro Process, it * * * acquire(d) from * * * Wolverine Producing and Refining Company licensing rights as to the Gyro Process covering a daily input of six thousand (6,000) barrels of gas oil, of which it still owns licensing rights as to a daily input of two thousand (2,000) barrels of gas oil, which licensing rights as to a daily input of two thousand (2,000) barrels are hereby sold and assigned by Gyro to Carbide in consideration of which Carbide hereby pays to Gyro Fifty Thousand ($50,000.00) Dollars, the receipt of which is hereby acknowledged.
>
> "The intention of the parties is that Carbide, by virtue of this agreement, shall have the right to operate said plant and other facilities as now or hereafter repaired, remodeled, rebuilt, improved, expanded or otherwise changed up to the present capacity thereof and in addition thereto up to a daily input of 2,000 barrels of gas oil or equivalent."

Clearly a grant to and acceptance by Carbide of limited rights only, similar to the *Bofors* facts.

In the *Bofors* case, the United States as Licensee of secret process for manufacture of Bofors guns, *for its own*

use, had supplied such guns to its wartime allies under lend-lease. Bofors, licensor, then brought suit against the government under federal Tort Claims Act for unauthorized usage. In holding recourse to the Tort Act unavailable, the Court stated:

> "• • • One who has lawfully acquired a trade secret may use it in any manner without liability unless he acquired it subject to a contractual limitation or restriction as to its use. In that event a licensee who uses the secret for purposes beyond the scope of the license granted by the owner is liable for breach of contract, but he commits no tort, because the only right of the owner which he thereby invades is one created by the agreement of disclosure. • • •
>
> "• • • According to the allegations here, the United States acquired the trade secret subject to the contractual limitation 'to make, use and have made in the United States for the United States use' the devices therein described. *If the United States used the secret process in manufacturing guns and ammunition for use by other nations, as Bofors alleged, it violated the agreement of June 21, 1941, and, consequently, the complaint stated a cause of action for breach of contract.*"
>
> *Aktiebolaget Bofors v. U. S.*, 194 Fed. 2d (CA D. C.) 145, 148.

So also in the instant case, when Carbide made use of the process beyond prepaid license limits, and then refused payment therefor, it breached the license contract.

But the Court below, ignoring the *Bofors* decision, held otherwise:

> "Since the defendant has not breached the 1943 contract either by using the Gyro Process in excess of royalty paid limits at the South Charleston plant

> or by using it in other plants, if it was so utilized; or by failure to disclose any improvements that may have been developed, or for any other reason advanced, there can be no recovery by the plaintiff in this action for breach of contract.
>
> "The judgment of the District Court is affirmed."

(b) The Court justified this holding by reference to paragraph 5 of the contract excluding implied obligations. And presuming to find in the written text no express prohibition against Carbide's use of process in extraneous plants, disallowed recovery therefor.

Specifically, the Court stated:

> "Nowhere in the contract is there an express provision prohibiting the defendant from using the process at other plants, nor can such a prohibition be implied due to the plain words of Paragraph 5 of the contract. This paragraph reads as follows:
>
> '5. This agreement contains all the acknowledgments, representations, warranties, rights, duties, covenants and agreement of any nature or kind or relating to any subject matter whatsoever between the parties hereto and no acknowledgment, representation, warranty, right, duty, covenant or agreement shall be implied.'"

But the Court is not warranted in this finding.

To the contrary the 1943 contract granted Carbide release from all of its past operations of the Process not royalty paid, together with authority, now fully prepaid, to operate in future the one acknowledged Carbide-Gyro plant up to its then limit of capacity, together with capacity additional as measured by an input of 2,000 barrels daily charge stock. In order to clarify such extent of grant, the contract then provided:

> "• • • *The intention of the parties is that Carbide by virtue of this agreement, shall have the right to operate* the said Plant and other facilities as now existing or as hereafter repaired, remodeled, rebuilt, improved, expanded, added to or otherwise changed *up to* the present capacity thereof and, in addition thereto, *up to* a daily input of two thousand (2,000) barrels of gas oil or its equivalent."

In this provision last quoted, Carbide acknowledges that its prepaid rights to use the Gyro process are limited:

> "• • • *up to* the present (plant) capacity. • • • and in addition thereto *up to* a daily input of 2,000 barrels of gas oil or its equivalent."

Such provision can only mean that any operation in excess of the prescribed rightful limits, *is without right,* in view of which intent, the contract must be regarded as expressly warranting remedy for the excess.

In any event, all doubt or the point is removed by the contract provisions concerning arbitration, the significance of which the appellate Court misapprehended, viz:

> "4. In case any dispute shall arise between the parties hereto as to whether or to what extent, if any, Carbide shall after the date of this agreement, have operated in excess of the amount permitted under the releases and discharges aforesaid or as to any other matter whatsoever, such dispute shall be submitted to arbitration • • • (8a).
>
> "*The decision of the arbitrators shall be final and binding upon the parties*" (9a).

In this provision last quoted, Carbide agreed to abide by the award of arbitrators who might render decision upon the question—

> of whether Carbide "shall * * * have operated in excess of the amount permitted under the (prepaid) releases and discharges,"

Such relief is that exactly which petitioner at outset of this proceeding sought to procure. But Carbide frustrated arbitration, and as will appear below, petitioner became entitled to equivalent relief in judicial suit.

Indeed, Carbide by virtue of agreement to arbitrate, has acknowledged expressly, petitioner's right to that relief, if facts in the arbitrator's opinion so warrant.

Probably the Court below thought to avoid Bofors conflict by omitting mention of that decision, and by construction of our instant contract at variance with the Bofors license.

But even so, the conflict persists undiminished.

By the decision below, petitioner is deprived of remedy *under the contract* for Carbide's unauthorized use, petitioner being thereby relegated, as Carbide had argued, to the only alternative remedy, namely *infringement suit as for a tort.*

But the Bofors case holds that tort infringement remedy is not available to protect against unauthorized use of a secret process, when initially disclosed for limited use.

2. As a matter of serious general concern, confusion on part of the profession and public occasioned by these conflicting decisions, will, unless now resolved by this Court, be perpetuated as to remedies concerning the important area of license grants for secret processes.

In this modern era, complexity of industrial arts and processes, business concerns with increasing frequency are resorting to the principles of trade secrets as protective measures for their inventions. Practicable considerations such as gradations in novelty, risk of defense on prior state

of art, and many others, encourage many owners to protect their commercially successful processes by the fiduciary obligations of their licensees, rather than by patent.

But with such developments it is indeed essential that judicial remedies incident thereto, be clarified—and the present case is most admirably adapted as occasion for clarification.

3. Decision below has decided an important question of state law in a way in conflict with applicable state law as confirmed by the Federal Supreme Court.

Upon respondent's refusal to arbitrate the question of extraneous process usage as petitioner had requested, latter under Michigan law became remitted to judicial suit for its remedy.

In a Michigan case where leasehold agreement enabled renewal by lessee for five years extended term, on same conditions as provided in original lease except that the rent should be determined by arbitration, the lessor refused lessee's request for renewal and refused to participate in arbitration to determine the rental. Thereupon lessee brought suit for judicial determination of renewal rent. In sustaining suit, the Michigan Supreme Court stated:

> "• • • plaintiff under its notice of election to remain under right of renewal could have continued in possession, and the fixing of the rent would have been but an incident of such right of holding, and if defendant refused to agree upon the rent or have the same determined in accordance with the agreement the court upon application of plaintiff would have fixed it.
>
> • • • • •
>
> "Plaintiff now has a right to have a jury determine such rent, instead of arbitrators. Defendant by breach of the contract has sent plaintiff to court to obtain its rights and must accept the measures

> and means at the command of the court for making determination. • • •
>
> *Stern Co. v. Friedman*, 229 Mich. 623, 627 *et seq.*

This last cited decision is followed and approved in the subsequent case of *Maas Bros. Inc. v. Weitzman*, where the Court stated:.

> "On the refusal of defendants to arbitrate the amount of rentals to be paid by plaintiff in accordance with the provision in the contract of lease, the trial court had authority to ascertain the terms of reasonable rental for a renewed period and to decree specific performance of a lease of renewal on such terms."
>
> *Maas Bros. Inc. v. Weitzman*, 288 Mich. 625, 634.

See also—*Detroit v. A. W. Kutsche & Co.*, 309 Mich. 709.

The federal Supreme and lower Courts concur with Michigan rule upon this point.

In a leading United States case, Humaston the inventor, had sold a telegraph machine to defendant Telegraph Company under agreement providing for initial payment to him of 100 shares of defendant's capital stock, together with a second installment in such number not exceeding 400 shares, as arbiters should decide after determining invention capability. After arbiters had been appointed to make determination, the Telegraph Company withdrew its submission whereupon the inventor brought suit in district court for judicial determination of the price balance. The Court said:

> "This is a fair analysis of the provisions of the contract and of the considerations on which it was based. • • • It was a reasonable provision that the value of these inventions should be submitted to the arbitration of practical business men, and if

default, and, therefore, not liable to suit. But the defendant broke the agreement and revoked the submission, and Humaston asks that in consequence of the wrongful action of the defendant his rights may be determined by the court and jury, instead of by arbitration.

"It becomes therefore important to determine what is the measure of liability for the breach of contract by the defendant. If we are correct in our interpretation of the contract, this action cannot be supported as an action seeking damages for breach of contract to deliver stock, for there was no engagement to deliver any, except on a condition which has not happened, and there is no proof that the arbitrators would have found that Humaston was entitled to receive more stock than he had already obtained.

"The action can be supported for the value of the property, and this was the proper subject of inquiry at the trial. The company covenanted to pay this value, to be ascertained in a particular mode, and as they have prevented this mode being adopted, they cannot take advantage of their own wrong and deprive the plaintiff of the opportunity of showing to the court and jury what it is. In lieu of the award of the arbitrators the verdict of the jury can be asked by the plaintiff to determine it. The ascertainment of this value was the essence of the contract, the thing on which the submission was based, and the revocation of the submission leaves the jury to settle it. * * *."

Humaston v. Telegraph Company, 87 U. S. 20, 27.

In a more recent federal district case, where a construction contract provided for arbitration of disputes arising thereunder, the contractor requested arbitration to determine the amount of additional compensation for excavation of rock. Defendant owner denied character of excava-

tion as "rock" under the contract terms, and rejected the claim for additional compensation. In upholding plaintiff's right to maintain court suit to determine the additional compensation, the Court stated;

> "• • • Of course, it is still open to the plaintiff to sue the defendant for the additional compensation which it claims to be due it since the defendant's refusal to arbitrate excuses the plaintiff from its obligation to do so. *Soudan Planting Co. v. Stevenson, supra.*"
>
> *Grimshaw v. Nazareth Literary Inst.* 113 Fed. Supp. (D. C. Ark.) 564, 574.

In the instant case, the license contract expressly provided:

> "In case any dispute shall arise • • • as to whether or to what extent, if any, Carbide shall after the date of this agreement, have operated in excess of the amounts permitted • • • or as to any other matter whatsoever, such dispute shall be submitted to arbitration" (8a).

Carbide refused to permit or join in any such arbitration (151a-164a).

Yet the Court below overriding these Michigan decisions, disallowed petitioner's remedy herein for such type of dispute.

4. Petitioner's showing below in opposition to motion for summary judgment was fully sufficient to disclose presence of genuine issue of fact on the question of extraneous usage.

The intimate details of Carbide's practice of the Gyro Process in extraneous plants are of course, matters within the peculiar knowledge of Carbide itself. Petitioner made

timely demand for disclosure by Carbide of the details of its operations in cracking petroleum hydrocarbons within the scope of the Gyro Process. Carbide filed partial answer to such interrogatories, denying enlargement of operations in its original Gyro plant, but objecting otherwise, refused to answer interrogatories concerning its Gyro practice in extraneous plants (100a-105a). So far, the Courts below have not yet ruled upon these objections, but even so, have withheld information from petitioner, as to any extraneous Gyro operations.

The trial court allowed petitioner an oral examination of Carbide concerning latter's operations within limits of the original Gyro plant, but that order disallowed examination as to plants otherwise (204a).

On such oral examination, petitioner claimed a construction of order as authorizing examination as to any expansions of the original Gyro unit within the South Charleston plant, although physically disconnected from the original unit. But Carbide refused answers as to such expansions, *even as to operations therein identical with the Gyro Process* (218a-219a).

In the administration of the summary judgment rule, the courts have universally held that absent the needful disclosure by the moving party of information within his particular knowledge bearing upon factual issues, judgment in his favor should be withheld until the opposite party has had full benefit of discovery.

Precedents to that effect can be summarized as follows:

> "In cases where the information with reference to a claimed fraudulent transaction rests exclusively within the knowledge of the participants, * * * it is apparent that it would be inequitable and unjust

> for the Court to grant a motion for summary judgment upon the affidavit of the defendant where the opposing party has no means to successfully meet the facts alleged in the affidavit, * * * *The even hand of equity requires that full opportunity be given to the plaintiff to a full disclosure of all of the facts and circumstances* * * * The disclosure and discovery cannot be obtained upon the affidavit of an interested defendant. * * *"
>
> *Hummel v. Riordon*, 56 F. Supp. 983.

See also the following:

> *Loews Inc. v. Bays*, 209 Fed. 2d (CA 5) 610;
> *LaCotonniere, etc. Co. v. H & B Machine Co.*, 19 F.R.D. (D. C. Mass. 1956) 6.

Mr. Rothenberg's affidavit for petitioner in opposition to the motion for summary judgment, disclosed that the greater portion of petitioner's evidence of extraneous usage comprised material within the exclusive knowledge of Carbide, respecting which petitioner needed discovery disclosure (167a).

Additionally, petitioner filed an affidavit of its expert Wilbur L. Nelson (205a) disclosing information of his own knowledge and such also as known generally to the industry, concerning Carbide's operations for high temperature, low pressure coil cracking under Gyro conditions, of petroleum propane for production of huge quantities of ethylene.

This affidavit followed Mr. Nelson's attendance at deposition taking of respondent's personnel and his own personal inspection of Carbide's Gyro plant.

Mr. Nelson cited Carbide's annual ethylene production from its coil cracking plants variously, viz:

South Charleston, W. Va...	365,000,000 lbs.
Ibid—under construction ..	165,000,000 "
Institute, W. Va. and Whiting, Indiana	165,000,000 "
Texas City	570,000,000 "
Sea Drift, Texas and Torrance, Calif.	200,000,000 "
Ponce, Puerto Rico (under construction)	110,000,000 "
	1,565,000,000 lbs. annually

He also cited Carbide's utilization of coil cracking of Propane for such production, which must be achieved at Gyro temperatures exceeding 900° F. with instantaneous arrest of cracking reaction, as enabled by the Gyro Process.

He concluded—

> "From all the foregoing sources, deponent states his informed opinion and belief that defendant's present operation and practice for the production of ethylene from petroleum refinery gases from natural gas and from propane cracking, in quantities far exceeding capacity of defendant's said original Gyro plant above mentioned, plus 2,000 barrels input additionally, must of necessity, and actually does, utilize and embody essential elements of plaintiff's Gyro process for high temperature, low pressure cracking of petroleum hydrocarbons; • • •" (214a).

Furthermore, Carbide's own disclosures on discovery, admitted Carbide's production of unsaturate Gyro gases such as ethylene, butylene and propylene by high temperature coil cracking; and also admitted Carbide's experimentation on the Gyro plant for coil cracking of propane and butane (221a, 226a, 227a).

CONCLUSION

Wherefore, it is respectfully submitted that this petition be granted and writ of certiorari be issued accordingly.

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APPENDIX

ORDER OF DISTRICT COURT GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

March 30, 1959

This matter having come on to be heard on Defendant's Motion for Summary Judgment and the Court having duly considered the same,

Now therefore it is ordered that the Defendant's Motion for Summary Judgment be and the same is hereby granted.

Arthur F. Lederle,
Chief Judge.

JUDGMENT OF DISTRICT COURT

March 30, 1959

In accordance with the order granting Defendant's Motion for Summary Judgment, filed this date,

It is hereby ordered that the Complaint be and is hereby dismissed.

Arthur F. Lederle,
Chief Judge.

JUDGMENT OF THE COURT OF APPEALS

July 11, 1960

Appeal from the United States District Court for the Eastern District of Michigan.

This cause came on to be heard on the transcript of the record of the United States District Court for the Eastern

District of Michigan and was argued by counsel. On consideration whereof it is now here ordered and adjudged by this Court that the judgment of the Federal District Court in this cause be and the same is hereby affirmed.

Approved for entry,
Henry L. Brooks,
United States District Judge.

OPINION OF THE COURT OF APPEALS

Decided July 11, 1960

Before: CECIL and WEICK, Circuit Judges, and BROOKS, District Judge.

BROOKS, District Judge. This is a civil action based on an alleged breach of contract. The appeal is from the award of a summary judgment.

The appellant, Florida Canada Corporation, formerly named Chemical Research Corporation, brought this action for an alleged breach of a contract between Gyro Process Company, a corporation now merged with appellant, hereinafter generally referred to as plaintiff, as first party, and Carbide and Carbon Chemicals Corporation, now the appellee Union Carbide Corporation, hereinafter generally referred to as defendant, as second party. This contract was entered into on November 1, 1943, in settlement of litigation pending between the parties arising from a licensing agreement dated September 17, 1927, which granted a license to the defendant to use the Gyro Process. The Gyro Process is a patented process for the production of high octane motor fuels and chemical intermediates.

The 1927 licensing agreement provided that the defendant construct a plant in South Charleston, West Virginia,

designed for a capacity of one thousand barrels of gas oil input per day into the apparatus used in the operation of the Gyro Process. This plant was constructed and equipped in accordance with plans furnished by the plaintiff. Thereafter, however, the defendant constructed and installed certain other machinery and plant facilities in close proximity to the South Charleston plant which plaintiff claimed were a part of the original plant thus increasing its daily capacity beyond 1000 barrels of gas oil input and giving rise to the question of whether a proper accounting of royalties had been made. To resolve this dispute plaintiff brought suit against the defendant in the United States District Court for the Eastern District of Michigan, Southern Division, and it was this litigation that was settled by the 1943 contract.

Under the provisions of the 1943 settlement contract the defendant paid the sum of $75,000 for a full release of all claims asserted against it by the plaintiff in the then pending litigation and for all claims in any way growing out of the 1927 licensing agreement which was declared cancelled. The defendant was also released from all claims "whether by way of royalty or otherwise, based on or arising out of any operation or other use which Carbide (defendant) may hereafter make of the Plant[1] and other facilities as now existing or as hereafter repaired, remodeled or improved up to the present capacity thereof."

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[1] "WHEREAS, pursuant to said agreement, and in accordance with plans, drawings, and specifications furnished by Gyro to Carbide thereunder, Carbide during the years 1927-1928 constructed or installed machinery, apparatus and other plant facilities at South Charleston, West Virginia, for a plant having a designated capacity of one thousand (1,000) barrels of gas oil input per day, and thereafter from time to time has made additions and repairs thereto and changes therein (all said machinery, apparatus and other plant facilities, as originally existing and as so added to, repaired, or changed, being hereinafter called the 'Plant'); . . ."

The contract further recited that since the defendant desired to acquire the right to operate the "Plant" in excess of its present capacity that the plaintiff sold to the defendant for $50,000 a paid up license permitting the defendant to increase the daily capacity by an additional two thousand barrels of gas oil input. And it was declared to be the intention of the parties that the defendant without further obligation or payment of royalties "by virtue of this agreement, shall have the right to operate the said Plant and other facilities as now existing or as hereafter repaired, remodeled, rebuilt, improved, expanded, added to or otherwise changed up to the present capacity thereof and, in addition thereto up to a daily input of two thousand (2000) barrels of gas oil or its equivalent."

The plaintiff contends that the defendant has breached the 1943 contract in two principal respects. The first breach complained of is that the defendant has utilized the Gyro Process in excess of royalty paid limits and has used it in a large number of newly built plants other than the South Charleston plant which is the only plant covered by the prepaid royalty license. The second alleged breach of the contract is that the defendant has developed improvements to the Gyro Process and has refused to disclose these improvements to the plaintiff although obligated to do so by the contract.

The defendant submits that the 1943 contract deals solely with the use of the Gyro Process in the South Charleston plant and does not prohibit or limit its use in any other plant built or operated by the defendant, and further, in answer to plaintiff's second contention, that the contract does not require the disclosure to the plaintiff of any improvements that may have been developed to the Gyro Process. While the use of the Gyro Process outside

of the South Charleston plant is not admitted, the defendant contends that even if it was so used in violation of plaintiff's rights the remedy does not lie in this action since such usage would not be a violation of the 1943 contract. It urges that the only grounds upon which the plaintiff could recover in this action for breach of contract would be a showing of an increase after November 1, 1943, of the capacity of the South Carolina plant by more than a daily input of two thousand barrels. We agree.

The replies to interrogatories and affidavits filed in support of defendant's motion for summary judgment establish without dispute that there was no excess use of the Gyro Process at the South Charleston plant. Therefore, since this fact is undisputed, the breach of the contract because of alleged excess usage in other plants of the defendant presents a question of law depending on the construction and legal effect of the 1943 contract.

The language of the contract is clear and unambiguous. It settled litigation arising out of the 1927 licensing agreement under which the South Charleston plant was constructed and operated. No other plant or operation is referred to and the paid up license for the continuing use of the Gyro Process and the sale of the paid up license for increased capacity was for use only at the South Charleston plant. Nowhere in the contract is there an express provision prohibiting the defendant from using the process at other plants, nor can such a prohibition be implied due to the plain words of Paragraph 5 of the contract. This paragraph reads as follows:

> "5. This agreement contains all the acknowledgments, representations, warranties, rights, duties, covenants and agreements of any nature or kind or relating to any subject matter whatsoever between the parties hereto and no acknowledgment, repre-

> sentation, warranty, right, duty, covenant or agreement shall be implied."

This provision of the contract is also a complete answer to another contention of the plaintiff that certain trade secrets which are a part of the over-all Gyro Process were utilized by the defendant in plants other than the South Charleston plant in violation of plaintiff's rights under the contract. This is so because the contract does not expressly prohibit such use and does specifically provide that no such agreement can be implied. Primarily the plaintiff relies on the arbitration clause contained in the contract to support its claim that excess usage in other plants of the defendant is a breach of contract. It is as follows:

> "In case any dispute shall arise between the parties hereto as to whether or to what extent, if any, Carbide (defendant) shall, after the date of this agreement, have operated in excess of the amounts permitted under the releases and discharges aforesaid or as to any other matter whatsoever such dispute shall be submitted to arbitration * * * Any and all claims, questions, disputes or demands based on or arising out of this agreement shall be determined solely by arbitration as aforesaid."

The wording of this arbitration clause, however, cannot be said to enlarge the specified scope of the carefully drafted contract. The clause is merely intended to provide a method of settling a controversy and as it states, its provisions are to be invoked to determine "the claims, questions, disputes or demands based on or arising out of this agreement * * *." It is also a familiar rule in the construction of contracts that the intention of the parties is to be gathered from the entire instrument and not from detached portions. A contract cannot be disjointed or particular parts separated from the balance, as it is necessary

to consider all of the provisions of a contract in order to determine the meaning of any particular part as well as the meaning of the whole document. Miller v. Robertson, 266 U. S. 243; In re Baxter, 104 F. 2d 318 (C. A. 6); Dickinson v. Stokes, 62 F. 2d 84 (C. A. 6); O'Brien v. United Home Life Insurance Co., 147 F. Supp. 761, affirmed 250 F. 2d 483 (C. A. 6); Johnston v. Miller, 326 Mich. 682; Galperin v. Michelson, 301 Mich. 491; Restatement of the Law of Contracts, Sec. 235.

Plaintiff's further contention is that the defendant is obligated by the 1943 contract to disclose and allow plaintiff a royalty-free license to use and practice improvements or additions to the Gyro Process devised or acquired by the defendant since November 1, 1943. The basis of this claim is the following language in Paragraph 3 of the 1943 contract:

> "3. Carbide wishes to acquire the right to operate the Plant and additions thereto and expansions thereof in an amount in excess of the present capacity thereof. Gyro (plaintiff) warrants and guarantees that, in addition to unlimited licensing rights as to the Gyro Process, it did, by virtue of agreement dated June 30, 1933, between Wolverine Producing and Refining Company and Gyro, acquire from said Wolverine Producing and Refining Company licensing rights as to the Gyro Process covering a daily input of six thousand (6000)) barrels of gas oil, of which it still owns licensing rights as to a daily input of two thousand (2000) barrels of gas oil, which licensing rights as to a daily input of two thousand (2000) barrels are hereby sold and assigned by Gyro to Carbide in consideration of which Carbide hereby pays to Gyro Fifty Thousand ($50,000.00) Dollars, the receipt of which is hereby acknowledged. * * *"

The agreement dated June 30, 1933, between Wolverine Producing and Refining Company and the plaintiff did require the Wolverine Producing and Refining Company to disclose to the plaintiff any improvements to the Gyro Process, that it should develop or acquire and to grant a royalty-free license for their use. However, the defendant is not a party to that agreement and no such obligation appears in the 1943 contract. The contract merely recites that the plaintiff repurchased certain licensing rights to the Gyro Process it had previously sold to Wolverine Producing and Refining Company and then re-sold some of them to the defendant. The defendant is clearly not an assignee of Wolverine, and if it had been the intention of the parties that the defendant disclose any developed improvements, such a covenant could have easily been expressly provided. The courts do not write contracts for the parties nor do they read into an unambiguous contract words or provisions it does not contain. Douglass v. Douglass, 88 U. S. 98; Knox v. First Security Bank of Utah, 196 F. 2d 112 (C. A. 10); E. D. Stair Corporation v. Taylor, 39 F. 2d 788 (C. A. 6); Rowe v. Chesapeake Mineral Co., 61 F. Supp. 773, affirmed 156 F. 2d 752 (C. A. 6); Sterneck v. Equitable Life Ins. Co. of Iowa, 237 F. 2d 626; Henrietta Mills Inc. v. Commissioner, 52 F. 2d 931 (C. A. 4).

Since the defendant has not breached the 1943 contract either by using the Gyro Process in excess of royalty paid limits at the South Charleston plant or by using it in other plants, if it was so utilized; or by failure to disclose any improvements that may have been developed, or for any other reason advanced, there can be no recovery by the plaintiff in this action for breach of contract.

The judgment of the District Court is affirmed.